

HB 864 -- Streamlined Sales and Use Tax Agreement

Sponsor: Carpenter

This bill, upon voter approval, establishes the Streamlined Sales and Use Tax Agreement Act which requires the Director of the Department of Revenue to enter into the multistate Streamlined Sales and Use Tax Agreement to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and types of commerce.

The bill specifies that:

(1) When a city annexes or detaches property, the city clerk must forward a certified copy of the ordinance to the department director within 10 days. The tax rate in the added or abolished territory must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the boundary change (Section 32.087.18, RSMo);

(2) When a political subdivision changes the tax rate or the local sales tax boundary, the change must take effect on the first day of the calendar quarter 120 days after the sellers receive notice of the change (Section 32.087.19, RSMo);

(3) If a political subdivision repeals an existing tax, the repeal must become effective on the first day of the calendar quarter 120 days after the Director of the Department of Revenue receives notice that the abolishment of the tax was approved (Sections 67.1303, 67.2030, 67.2530, and 94.578); and

(4) When a seller fails to properly collect taxes based on certain information provided by the department, the seller will be relieved from the tax liability (Sections 144.123 - 144.124).

The bill also:

(1) Requires the department to establish the necessary rules to implement the compliance provisions of the agreement. The state must be represented as a member of the agreement for amending the agreement by three delegates including a person appointed by the Governor, a member of the General Assembly appointed by mutual consent of the President Pro Tem of the Senate and the Speaker of the House of Representatives, and the department director or his or her designee. The delegates must make an annual report by January 15 on the status of the agreement (Section 32.070);

(2) Authorizes the department director to retain 1% of the amount of any local sales or use taxes collected by the department for the

cost of collection (Section 32.086);

(3) Requires the department director to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes. All state and local sales taxes must have the same base which means that exemptions at the state and local level must be identical (Sections 32.087 and 66.620 - 67.2530);

(4) Creates, beginning January 1, 2015, new individual income tax rates and brackets. Currently, the maximum rate is 6% for incomes greater than \$9,000. The new rate maximum will be 8% for taxable incomes greater than \$500,000 (Sections 143.011 and 143.021);

(5) Creates an individual income tax deduction for business income up to \$50,000 beginning January 1, 2015. Shareholders of S corporations and partners in partnerships will be allowed a proportional deduction based on their share of ownership (Section 143.013);

(6) Reduces, beginning January 1, 2015, the deduction for federal income taxes paid from \$5,000 to \$3,000 for a single taxpayer and from \$10,000 to \$6,000 for a married couple (Section 143.031);

(7) Defines "delivery charges," "food," "bottled water," "candy," "ancillary services," "lease or rental," "purchase price," "sales price," "tangible personal property," and other definitions to be adopted as defined in the streamlined agreement. The bill also defines "engaging in business activities within the state" and "maintains a place of business in this state" as they relate to the collection of taxes and "tangible personal property" to exclude specified digital products, digital audio-visual works, digital audio works, and digital books (Section 144.010);

(8) Establishes rules to determine the taxability of bundled transactions involving both taxable and nontaxable goods or services (Section 144.022);

(9) Requires uniform sourcing rules to determine what tax rates will apply to certain transactions (Sections 144.040 - 144.043);

(10) Requires the on-line registration for out-of-state sellers to be simplified and no bond to be required (Section 144.082);

(11) Allows the department to require any seller to electronically file and remit sales and use taxes and requires the department to offer out-of-state sellers uniform, simplified electronic filing (Section 144.084);

(12) Authorizes a deduction from taxable sales for sellers with bad debts attributable to taxable sales that are uncollectable (Section 144.104);

(13) Requires the department to provide electronic databases for tax jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services (Sections 144.123 - 144.124);

(14) Authorizes an amnesty to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of the streamlined agreement (Section 144.125);

(15) Allows a monetary allowance under the automated collection system, beginning July 1, 2014, of up to 2% of the amount of remittance that sellers and certified service providers are allowed for collecting and remitting the state and local sales taxes. Currently, sellers are allowed to keep 2% for collecting and timely remitting the tax. A seller cannot simultaneously receive this monetary allowance and the 2% timely filing deduction (Section 144.140);

(16) Requires no caps or thresholds to exist on the collection of sales or use taxes (Section 144.1012); and

(17) Increases, beginning January 1, 2015, the excise tax on cigarettes of 17 cents per pack of 20 cigarettes by 28 cents per pack. The revenue generated by the additional tax, less .5% for the compensation of wholesalers for affixing the tax stamps, will be deposited into the General Revenue Fund (Sections 149.015 & 149.021).

The provisions of the Streamlined Sales and Use Tax Agreement Act become effective January 1, 2015.